

5. Second-Quarter Financial Results

Profit and Loss

(Billion Yen)

	Second Quarter FY 2005	% Change from 2Q FY 2004
Net Sales	1,165.9	-3.8%
Japan	787.8	-9.1%
Overseas	378.1	9.7%

*% Change Excluding
Impact of Change in
Accounting Policies and
Business Restructuring*

-0.8%
-5.9%
12.1%

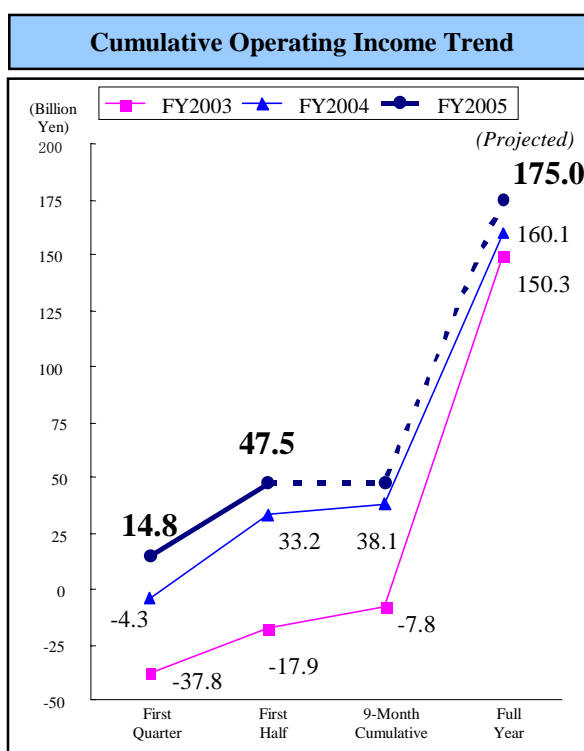
(Billion Yen)

	Second Quarter FY 2005	Change from 2Q FY 2004
Operating Income	32.7	-4.9

Consolidated net sales for the second quarter were 1,165.9 billion yen (US\$10,228 million), a decrease of 3.8% compared to the second quarter of fiscal 2004. However, excluding the impact of business restructuring and changes in accounting policies, results were roughly the same as the second quarter of last year. A large year-on-year decline in sales in Japan was attributable in part to the fact that sales of mobile phone base stations and financial terminals capable of handling new Japanese banknotes were strong during the same period last year. Outside Japan, however, sales increased markedly due to the global competitiveness of such Fujitsu products as optical transmission systems for customers in North America and HDDs. Strong results were also recorded in overseas sales of UNIX servers and notebook computers as well as in outsourcing services in the UK.

Consolidated operating income was 32.7 billion yen (US\$287 million), a decline of 4.9 billion yen from the second quarter of the previous year. Despite an improvement in the profitability of the solutions/systems integration business in Japan and the effects of the reorganization of our flat panel display and other businesses, as well as increased profits in businesses like optical transmission systems and outsourcing services in the UK, declines in businesses that, as noted above, were strong in the comparable period last year, as well as intensified competition in the LSI devices business, ultimately resulted in the decline in operating income.

As a result of improved results in the first quarter, cumulative operating income for the first half was 47.5 billion yen (US\$417 million), exceeding last year's level and indicative that our recovery remains on track.



In other income (expenses), although equity in earnings of affiliated companies declined, there was a reduction in amortization of unrecognized obligations for retirement benefits as a result of pension system revisions. As a result of these factors, other income (expenses) was more-or-less equivalent to the same period in fiscal 2004.

We posted a gain in connection with the business transfer of our LCD panel operations, and a loss in connection with business restructuring expenses.

We reported consolidated net income of 5.1 billion yen (US\$45 million) for the quarter, an increase of 1.4 billion yen over the same period in fiscal 2004. In the second quarter of fiscal 2004, losses generated by subsidiaries resulted in a higher ratio of income tax in relation to income before income taxes and minority interests.